

# **PUBLIC DISCLOSURE**

September 28, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Fidelity Co-operative Bank  
Certificate Number: 26451

675 Main Street  
Fitchburg, Massachusetts 01420

Division of Banks  
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	4
Description of Assessment Area .....	6
Conclusions on Performance Criteria .....	9
Discriminatory or Other Illegal Credit Practices Review .....	19
Appendix A – Minority Application Flow (Division of Banks).....	20
Appendix B – Glossary .....	22

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of its home mortgage and small business loans, by number and dollar volume, inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area(s), reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory by the FDIC and High Satisfactory by the Division.**

- The institution's community development performance demonstrates a good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (DOB), covers the period from the prior evaluation, dated April 15, 2013, to the current evaluation dated September 28, 2015. Examiners used Intermediate Small Bank (ISB) procedures established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate the bank's performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria.

- Loan-to-Deposit Ratio
- Assessment Area Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA-Related Complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a "Satisfactory" rating under each test to obtain an overall satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Examiners considered home mortgage and small business lending performance as part of this evaluation. Bank records indicated that commercial loans (commercial real estate and commercial and industrial loans) and residential real estate (1-4 family and multi-family) account for similar proportions of the loan portfolio at 48.9 percent and 48.2 percent, respectively. Commercial lending increased 31.9 percent since the prior CRA evaluation, which reflects the bank's strategic initiative to increase commercial lending. Considering lending volume and strategy during the evaluation period and loan portfolio composition, examiners assigned relatively equal weight to home mortgage lending and small business lending when arriving at conclusions and the rating under the Lending Test. Examiners did not analyze small farm loans, consumer loans, or other loan types due to the low volume of originations and the overall portion of the loan portfolio.

Examiners evaluated 2013 and 2014 home mortgage lending data as reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank's assessment area changed during the evaluation period due to the revised Office of Management and Budget (OMB) delineations. As a result of the revision, one low-income census tract in the assessment area was reclassified as a moderate-income tract, five moderate-income tracts were

reclassified as middle-income tracts, and four-middle income tracts were reclassified as upper-income tracts. The bank also expanded its assessment area to include the entire City of Worcester, adding 27 new census tracts. Examiners analyzed the bank's 2013 lending performance using existing OMB delineations for that year, and analyzed 2014 lending performance using the revised delineations. Examiners compared the bank's 2013 lending performance with aggregate lending data for all HMDA reporting lenders. Examiners analyzed home mortgage lending in 2014 for trends, as aggregate data is not yet available for comparison. Examiners also considered year-to-date (YTD) 2015 lending performance (through June 30, 2015) for trend analysis. YTD 2015 lending performance is presented in the Lending Inside and Outside of the Assessment Area table and discussed in the narrative of the Geographic Distribution and Borrower Profile sections.

Although not required of an ISB, the bank chose to collect and report small business information in 2013, and examiners compared lending performance that year to 2013 aggregate data. The bank discontinued reporting small business information for 2014 and 2015; however, they continued to collect the data. Examiners utilized the full universe of small business loans in 2014 and YTD 2015 for trend analysis. Business demographics of the assessment area provided a standard of comparison for small business loans in 2013 and 2014.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans with an emphasis on the number of loans as it provides a better overall indicator of the number of businesses and individuals served by the institution. Large or small dollar loans could skew data and impact conclusions.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Fidelity Co-operative Bank (Fidelity Bank) is a State-chartered mutual co-operative bank, founded in 1888, with its main office located in Fitchburg, Massachusetts (Worcester County). In addition to the main office located at 675 Main Street, Fidelity Bank operates six branches located in Gardner, Leominster (2), Millbury, Worcester (each in Worcester County), and Shirley (in Middlesex County). On May 28, 2013, Fidelity Bank moved its Millbury Branch 0.2 miles from 97 Elm Street to 16 South Main Street, Millbury. The new location enables Fidelity Bank to provide clients with parking and a drive-through facility. The Worcester and Fitchburg branches are located in low-income census tracts; the two Leominster branches and the Gardner branch are located in moderate-income tracts; and the Millbury and Shirley branches are located in middle-income census tracts. The census tract designation for the Shirley branch was moderate-income in 2013, and was updated to middle-income in 2014 as a result of the OMB redesignations. The prior CRA Performance Evaluation, which was conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (DOB) using ISB examination procedures, resulted in a Satisfactory rating.

### **Operations**

All branches are full-service and equipped with automated teller machines (ATMs). In addition, the bank offers drive-through services at each branch, and has one remote, non-deposit taking ATM location in Lancaster. In conjunction with branch operations, the bank provides accessibility to its services through alternative channels such as telephone banking, bank-by-mail, online banking with bill pay, Android and Apple banking applications, mobile deposit, and after-hours depositories. These services are available to both individual and commercial customers.

Fidelity Bank offers numerous checking and savings accounts, including the LifeDesign Free Checking account. This non-interest accruing account requires no minimum balance to open and gives customers a no-cost, unlimited activity checking account option. Additionally, the LifeDesign Free Checking account allows access to the SUM network and does not charge customers for using ATMs that belong to other banks. Fidelity Bank also offers a free small business checking account with no per check or item charge. In addition to deposit products, Fidelity Bank offers a variety of loan products for businesses and individuals. These products include consumer, residential mortgage, home equity, and business loans to include commercial real estate mortgages.

### **Ability and Capacity**

As of June 30, 2015, Fidelity Bank had total assets of \$615.8 million, including total loans of \$447.8 million. Commercial loans, including commercial real estate and commercial and industrial loans, account for the largest portion of the loan portfolio at a combined 48.9 percent. The next largest portion of the loan portfolio is residential real estate at a combined 44.4 percent.

<b>Loan Portfolio Distribution as of June 30, 2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	10,143	2.4
Secured by Farmland	48	0.0
Secured by 1-4 Family Residential Properties	198,976	44.4
Secured by Multi-family (5 or more) Residential Properties	17,234	3.8
Secured by Non-farm Non-Residential Properties	120,933	27.0
<b>Total Real Estate Loans</b>	<b>347,334</b>	<b>77.6</b>
Commercial and Industrial Loans	98,208	21.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	968	0.2
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	1,325	0.3
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	(9)	0.0
<b>Total Loans</b>	<b>447,826</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Fidelity Co-operative Bank has designated a contiguous assessment area, which includes 122 census tracts (CTs) in the Boston-Worcester-Providence, MA-NH-RI-CT CSA. The CSA encompasses the Boston-Cambridge-Newton, MA-NH MSA and the Worcester, MA MSA.

### *Economic and Demographic Data*

The assessment area includes 122 CTs representing the municipalities of Ashburnham, Ashby, Auburn, Ayer, Boylston, Clinton, Fitchburg, Gardner, Grafton, Groton, Harvard, Holden, Hubbardston, Lancaster, Leominster, Littleton, Lunenburg, Millbury, Oxford, Pepperell, Princeton, Shirley, Shrewsbury, Sterling, Sutton, Templeton, Townsend, West Boylston, Westminster, Winchendon, and Worcester. As of the date of the evaluation, the assessment area contains 12 low-, 26 moderate-, 51 middle-, and 29 upper-income CTs. Two CTs are categorized as “NA.”

As a result of revised Office of Management and Budget (OMB) delineations of MSAs and MDs effective beginning in 2014, there were several changes made. Prior to the effectiveness of these changes, the assessment area included 14 low-, 30 moderate-, 50 middle-, and 25 upper-income CTs. Two CTs were categorized as “NA.” The following table illustrates select key demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	122	11.5	21.3	41.8	23.8	1.6
Population by Geography	558,500	10.0	17.6	43.9	28.0	0.5
Housing Units by Geography	227,213	11.1	19.6	43.9	25.4	0.0
Owner-Occupied Units by Geography	136,099	3.1	12.6	50.7	33.6	0.0
Businesses by Geography	36,991	12.0	17.6	41.5	28.8	0.1
Family Distribution by Income Level	138,036	8.3	16.9	45.0	29.8	0.0
Median Family Income Cambridge-Newton-Framingham, MA MD(15764) Worcester, MA MSA (49340) FFIEC-Estimated Median Family Income for 2014 Cambridge-Newton-Framingham, MA MD(15764) Worcester, MA MSA (49340)		97,217 80,500 93,300 77,900	Median Housing Value Median Gross Rent Families Below Poverty Level			\$300,121 \$856 7.9%
Source: 2010 U.S. Census, 2014 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

The table above shows that the majority of the population and the majority of owner-occupied housing units are located in middle- and upper-income geographies.



According to 2014 D&B data, there were 36,991 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 71.4 percent have \$1 million or less.
- 5.5 percent have more than \$1 million.
- 23.1 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 43.7 percent; followed by retail trade at 12.9 percent; non-classifiable establishments at 11.3 percent; and construction at 9.3 percent. 64.6 percent of businesses in the area employ four or fewer people and 89.9 percent of businesses in the area operate from a single location.

The annual FFIEC-estimated median family income data is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The low-, moderate-, middle-, and upper-income categories are presented in the table below. These categories are based on the FFIEC-estimated median family income for the Cambridge-Newton-Framingham, MA MD and the Worcester, MA MSA for 2013 and 2014. Median family incomes decreased in both the MD and the MSA between 2013 and 2014.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA MD Median Family Income</b>				
2013 (\$101,000)	<\$50,500	\$50,500 to <\$80,800	\$80,800 to <\$121,200	≥\$121,200
2014 (\$93,100)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
<b>Worcester, MA MSA Median Family Income</b>				
2013 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
2014 (\$77,900)	<\$38,950	\$38,950 to <\$62,320	\$62,320 to <\$93,480	≥\$93,480
<i>Source: FFIEC-Estimated Median Family Income Data</i>				

There are 227,213 housing units in the assessment area, of which 136,099 are owner-occupied, 72,791 are occupied rental units, and 18,323 are vacant. The median housing value of \$300,121 suggests a relatively expensive housing market.

### ***Competition***

Fidelity Bank operates in a competitive lending environment. The bank faces competition from large national and regional banks, mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2013 revealed that 434 lenders reported 31,091 originations and/or purchases totaling approximately \$6.4 billion in the assessment area. The bank ranked 16<sup>th</sup> and captured 1.5 percent of the market share with 349 originations or purchases for approximately \$64.2 million. The top three banks were Wells Fargo Bank, NA, JPMorgan Chase Bank, NA, and, Bank of America, NA with a combined 16.6 percent market

share. Other competitors operating within the bank's assessment area include Quicken Loans, CitiBank, NA and Digital Federal Credit Union.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted one organization that specialized in affordable housing and another that focused on the small business needs of the area. The affordable housing contact identified opportunities for financial institution involvement in revitalizing many of the affordable housing units in the area. The contact also noted that there is a need for additional affordable housing units in this region as the wait lists for many of the units can be up to seven years long.

The small business contact identified a small business environment that was in need of revitalization. According to the contact, many small businesses in the area could benefit from non-traditional loan programs in order to revitalize their businesses. In order to create a stronger small business environment, the contact cited how there was a need for more outreach to small business owners as well.

### ***Credit and Community Development Needs and Opportunities***

Considering the community contact information, bank management input, and demographic data, examiners determined that housing loans and small business loans represent primary credit needs for the assessment area. There is a need for more affordable housing units in the area including more lending opportunities to low- and moderate-income individuals. Community development assistance with housing and other basic services to this portion of the population may improve the situation. Additionally, area investment in infrastructure and services represent another opportunity for community development. Opportunities for innovative small business loan programs also exist in the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Fidelity Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 90.1 percent over the past nine calendar quarters from June 30, 2013, to June 30, 2015. The ratio ranged from a low of 83.8 percent as of June 30, 2015, to a high of 93.4 percent as of June 30, 2013. Examiners compared the bank's Average Net LTD to similarly situated institutions. Examiners selected institutions based on their asset size, geographic location, and lending focus. Each similarly situated institution is headquartered in Worcester County or Middlesex County, has similar loan product distribution, and had total assets between \$500 million and \$1 billion as of June 30, 2015. The bank's LTD was situated in the range of those of comparable institutions. It is also noted that the bank sells a significant number of loans in the secondary market; this activity is not reflected in the LTD ratio.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 06/30/15 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
Rollstone Bank & Trust	562,572	104.9
Webster Five Cent Saving	675,346	98.3
<b>Fidelity Co-operative Bank</b>	<b>615,774</b>	<b>83.6</b>
Marlborough Savings Bank	501,614	80.8
<i>Source: Reports of Income and Condition 06/30/13 through 06/30/15</i>		

### Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number and dollar volume, within its assessment area. See the following table.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollars in Loans (\$000s)				
	Inside Assessment Area		Outside Assessment Area		Total by Count	Inside Assessment Area		Outside Assessment Area		Total \$(000s)
	#	%	#	%		\$	%	\$	%	
Home Mortgage:										
2013	358	70.3	151	29.7	509	64,708	63.0	38,002	37.0	102,710
2014	237	68.7	108	31.3	345	41,377	61.6	25,761	38.4	67,138
YTD 2015	162	70.1	69	29.9	231	31,305	62.6	18,678	37.4	49,983
Subtotal	757	69.8	328	30.2	1,085	137,390	62.5	82,441	37.5	219,831
Small Business:										
2013	52	65.8	27	34.2	79	8,250	49.5	8,412	50.5	16,664
2014	47	75.8	15	24.2	62	7,430	61.1	4,739	39.0	12,160
YTD 2015	34	79.1	9	20.9	43	5,368	62.1	3,274	37.9	8,642
Subtotal	133	72.3	51	27.7	184	21,048	56.2	16,425	43.8	37,466
Total	890	70.1	379	29.9	1,269	158,438	61.6	98,866	38.4	257,304
Sources: 2013,2014, and YTD 2015 HMDA data; 2013 CRA Reported Data;2014 and YTD 2015 Bank Records										

## **Geographic Distribution**

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. As shown in the following table, the bank's performance of lending in low-income census tracts in 2013 was below aggregate and the percentage of owner-occupied units. Certain factors limited lending opportunities, including the fact that only 3.5 percent of owner-occupied housing units are located in low-income tracts. Also, most of the low-income census tracts in the assessment area are located in Worcester, where competition is very high, including Commerce Bank, People's United Bank, Rollstone Bank & Trust, Chase Bank, and several large national banks. Market share reports show that Fidelity Bank ranked 32<sup>nd</sup> out of 118 lenders that originated at least one loan in a low-income tract. The top ten lenders originated 42.5 percent of the loans to low-income geographies, which mainly included large national banks and credit unions. In 2013, the bank exceeded aggregate data in terms of lending in moderate-income tracts. The bank ranked 12<sup>th</sup> out of 226 lenders that made at least a single loan in a moderate-income tract.

In 2014, the bank increased its lending in low-income census tracts, which exceeded demographics. However, lending in moderate-income tracts declined in 2014. Although lending in moderate-income tracts decreased, performance slightly exceeded demographics. The OMB census tract delineation changes resulting in four fewer moderate-income tracts in 2014 also impacted bank performance. In addition, total home mortgage lending in the assessment area decreased 33.7 percent by number from 2013 to 2014. Overall, performance YTD 2015 was similar to 2014 levels.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	3.5	2.8	5	1.4	656	1.0
2014	3.1	NA	11	4.6	1,765	4.3
Moderate						
2013	16.3	14.3	72	20.1	13,028	20.1
2014	12.6	NA	32	13.5	3,774	9.1
Middle						
2013	50.5	47.6	219	61.2	34,525	53.4
2014	50.7	NA	139	58.6	23,831	57.6
Upper						
2013	29.6	35.3	62	17.3	16,499	25.5
2014	33.7	NA	55	23.2	12,007	29.0
NA						
2013	0.0	0.0	0	0.0	0	0.0
2014	0.0	NA	0	0.0	0	0.0
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>358</b>	<b>100.0</b>	<b>64,708</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>NA</b>	<b>237</b>	<b>100.0</b>	<b>41,377</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014, and 2quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; 2014 Aggregate data not available</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion. As depicted in the following table, the bank's performance in low-income census tracts in 2013 did not compare favorably to aggregate or demographic data; however, lending in those tracts increased in 2014, resulting in a percentage more in line with demographics. The bank's level of lending in moderate-income areas exceeded business demographics and aggregate performance in 2013. In 2014, lending in moderate income tracts decreased significantly; however, the table also depicts a decrease in the percentage of businesses in those tracts in 2014. The difference is attributed, in part, to the 2014 OMB revisions that reclassified four of the moderate-income census tracts. The bank did not originate any small business loans in low-income census tracts in the first two quarters of 2015; however, the level of lending in moderate-income tracts demonstrates an increasing trend.

Distribution of Small Business Loans by Income Category of the Geography						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$	%
Low						
2013	12.2	11.0	3	5.8	950	11.5
2014	12.0	NA	5	10.6	222	3.0
Moderate						
2013	20.6	20.7	16	30.8	2,064	25.0
2014	17.6	NA	3	6.4	500	6.7
Middle						
2013	41.4	40.6	28	53.8	4,771	57.8
2014	1.5	NA	22	46.8	3,661	49.3
Upper						
2013	25.6	27.7	5	9.6	465	5.7
2014	28.9	NA	17	36.2	3,047	41.0
NA						
2013	0.1	0.0	0	0.0	0	0.0
2014	0.1	NA	0	0.0	0	0.0
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>8,250</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>NA</b>	<b>47</b>	<b>100.0</b>	<b>7,430</b>	<b>100.0</b>
<i>Source: 2013-2014 D&amp;B Data; 2013 CRA Reported Data; 2014 bank records; 2013 CRA Aggregate Data, NA is aggregate information which was not available as of the evaluation date</i>						

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data. The bank outperformed the aggregate in lending to both low- and moderate-income borrowers in 2013. Although lending to low-income borrowers was less than the percent of low-income families, 7.9 percent of low-income families in the assessment area have incomes below the poverty level based on 2010 Census data. Families below the poverty level would not likely qualify for a home mortgage loan under conventional underwriting standards, therefore limiting demand and opportunity for the bank to lend to those borrowers. Lending to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area in 2013. For loans originated to low-income borrowers, the bank ranked 9<sup>th</sup> out of 44 lenders with 2.5 percent market share, outperformed only by large national banks and credit unions. The bank ranked 11<sup>th</sup> out of 145 lenders in moderate-income borrowers, again outperformed only by large national banks, credit unions and mortgage companies.

In 2014, the bank's lending performance to low-income borrowers declined from 41 loans in 2013 to 17 loans in 2014, representing 7.2 percent of home mortgage lending. The bank attributes the decline to a decrease in refinance activity in the market, as a significant portion of the home mortgage loans to low-income borrowers in 2013 were refinances. Lending to moderate-income borrowers declined by number, but remained consistent as a percentage of overall loans originated, and continued to exceed the percentage of moderate-income families. In the first two quarters of 2015, the bank originated 16 home mortgage loans (9.9 percent) to low-income borrowers and 39 home mortgage loans (24.1 percent) to moderate-income borrowers. Performance YTD 2015 demonstrated increasing trends.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2013	23.3	8.0	41	11.5	4,083	6.3
2014	22.5	NA	17	7.2	2,296	5.5
<b>Moderate</b>						
2013	17.6	20.6	85	23.7	12,038	18.6
2014	16.9	NA	55	23.2	7,192	17.4
<b>Middle</b>						
2013	22.1	23.3	98	27.4	15,610	24.1
2014	21.7	NA	73	30.8	11,691	28.3
<b>Upper</b>						
2013	37.1	35.8	127	35.5	27,750	42.9
2014	38.9	NA	84	35.4	17,787	43.0
<b>NA</b>						
2013	0.0	12.3	7	2.0	5,227	8.1
2014	0.0	NA	8	3.4	2,411	5.8
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>358</b>	<b>100.0</b>	<b>64,708</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>NA</b>	<b>237</b>	<b>100.0</b>	<b>41,377</b>	<b>100.0</b>
Source: 2010 U.S. Census; 2013, 2014, and 2quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; 2014 Aggregate data not available						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank exceeded aggregate performance of lending to businesses with GARs of \$1 million or less in 2013, but was below demographics. In 2014, the bank's level of lending to businesses with GARs of \$1 million or less increased slightly. Overall, bank performance compares reasonably to the percentage of businesses with GARs of \$1 million or less. The trend YTD 2015 was somewhat declining.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Business Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$	%
≤ \$1,000,000						
2013	72.9	43.6	31	59.6	4,478	54.3
2014	71.5	NA	29	61.7	3,641	49.0
> \$1,000,000 or NR						
2013	27.1	56.4	21	40.4	3,772	45.7
2014	28.5	NA	18	38.3	3,789	51.0
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>8,250</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>NA</b>	<b>47</b>	<b>100.0</b>	<b>7,430</b>	<b>100.0</b>
<i>Source: 2013-2014 D&amp;B Data; 2013, CRA Reported Data; 2014 and YTD 2015 Bank data; 2013 CRA Aggregate Data, NA is aggregate information which was not available as of the evaluation date, NR is revenue not reported</i>						

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

Fidelity Bank demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

#### **Community Development Loans**

The bank originated six community development loans totaling approximately \$8.0 million during the evaluation period. This level of activity represents 1.4 percent of average total assets and 1.8 percent of average total loans since the prior CRA evaluation.

The six community development loans were originated in the assessment area. The following table illustrates the bank's community development lending activity by year and purpose.



Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2013*	1	4,000	1	100	0	0	0	0	0	0	2	4,100
2014	1	687	1	750	0	0	1	2,295	0	0	3	3,732
2015**	0	0	1	200	0	0	0	0	0	0	1	200
<b>Total</b>	<b>2</b>	<b>4,687</b>	<b>3</b>	<b>1,050</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,295</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>8,032</b>
Source: Bank Records- *From April 15, 2013 through December 31, 2013. **From January 1, 2015 through September 27, 2015.												

Below are notable examples of the bank's community development loans:

- In 2014, the bank was the lead in a participation loan of \$13,770,000 (with six other lending institutions) to assist in the re-development of the former Telegram and Gazette Building located in Downtown Worcester. This project was in support of the community plan for revitalization and received support from the Worcester Business Development Corporation and tax credits from state and local governments. The building is currently occupied primarily by a local community college, and additional space is used as an incubator for start-up businesses. The amount of the bank's participation in this loan is \$2,295,000.
- In 2013, the bank originated a \$4,000,000 loan to construct a 48-unit 40B rental project known as Turnpike Village. Twelve of the units are designated as affordable housing. In addition, all 48 units are rented below the HUD fair market rent amount and are therefore considered affordable housing.
- In 2014, the bank made three loans totaling \$2,750,000 to refinance and develop a 24-unit 40B condominium development known as Pine Hill Village. Twelve of the units are designated as affordable housing with a value of \$687,499, which is the amount designated as community development.

### **Qualified Investments**

A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Fidelity Bank made approximately 75 qualified investments totaling approximately \$2.8 million. This total includes an equity investment of \$2.5 million and donations totaling \$318,754. The equity investment represents 0.4 percent of total assets as of June 30, 2015.

Of the total dollar amount, approximately 84.5 percent benefited organizations that engage in community service activities that focus on affordable housing throughout the entire assessment area. These investments demonstrate the bank's responsiveness to its assessment area.

The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2013*	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015 **	1	2,500,000	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	1	2,500,000	0	0	0	0	0	0	0	0	1	2,500,000
Qualified Grants & Donations	5	1,950	59	269,269	5	21,425	5	26,110	0	0	74	318,754
<b>Total</b>	6	2,501,950	59	269,269	5	21,425	5	26,110	0	0	75	2,818,754
Source: Bank Records. *From April 15, 2013, through December 31, 2013. **From January 1, 2015 through September 27, 2015.												

Below are notable examples of the bank's qualified investments:

- Access Capital Community Investment Fund: In 2015, the bank invested \$2.5 million in a fixed-income mutual fund that supports low- and moderate-income homebuyers, affordable rental units, small business administration and economic development projects. The bank targeted its investment within the assessment area.
- United Way of North Central Massachusetts: This organization seeks to advance the common good by creating opportunities for a better life for all of North Central Massachusetts. This organization focuses on education, income, and health initiatives. Approximately 95 percent of the funds allocated to programs through this organization are directed to benefit low- and moderate-income households and individuals.
- UMass Memorial –HealthAlliance Hospital: This organization is a not-for-profit, full-service acute care hospital serving North Central Massachusetts and Southern New Hampshire. Of patients who receive services in the Emergency Department, 66 percent are low- or moderate-income, and 74 percent of patients admitted as in-patients are low- or moderate- income individuals.
- North Central Massachusetts Economic Development Council: This organization's mission is to plan and implement programs to create jobs and increase economic opportunity in the region. Through this support, the organization will be able to continue to provide access to a variety of non-traditional business programs to local businesses.

- Worcester Economic Development Fund: This organization is a collaborative effort between the Commonwealth of Massachusetts Office of Business Development and the City of Worcester that offers local and state tax incentives to qualified businesses that choose to start-up, expand, or relocate in or to Worcester. This program promotes growth in both emerging and maturing industries.
- Friendly House, Inc.: This organization, located in Worcester, is focused on assisting low- and moderate-income families and individuals with basic needs such as emergency food, housing assistance and immigration information. Friendly House also operates a homeless family shelter and transitional housing program off-site.

### **Community Development Services**

During the evaluation period, bank employees provided 53 instances of financial expertise or technical assistance to a variety of different community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

<b>Community Development Services</b>						
<b>Activity Year</b>	<b>Community Development Purpose</b>					<b>Totals</b>
	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Neighborhood Stabilization Projects</b>	
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2013*	1	15	1	0	0	17
2014	1	15	3	1	0	20
2015**	4	9	3	0	0	16
<b>Total</b>	<b>6</b>	<b>39</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>53</b>
<i>Source: Bank Records- *From April 15, 2013 through December 31, 2013. **From January 1, 2015 through September 27, 2015.</i>						

Below are notable examples of the bank's community development services:

- The SHINE Initiative: In 2004, Fidelity Bank employees were determined to "give back" to the community, contribute to, and champion the cause of mental illness. This organization strives to be a leader in the fight against mental illness in children and young adults. The bank continues to take a leadership role in its efforts to support and grow this organization. A majority of those served by this organization are low- or moderate-income. The bank's Chief Executive Officer, the Commercial Marketing and Sale Services Manager, and the Branch Services Member serve on the Advisory Board of this organization.
- Massachusetts Affordable Housing Trust: This organization provides resources to create or preserve affordable housing. Funds are available for rental, home-ownership, and mixed-use projects as well as housing for the disabled and homeless. The organization primarily supports private projects that provide for the acquisition, construction, or

preservation of affordable housing. The VP, MIS and Strategic Planning serves on the Board of Directors.

- North Central Massachusetts CRA Coalition: This organization builds alliances and partnerships among financial institutions, municipalities, and community-based agencies by maximizing the resources and talents of its members to increase access to capital and to support and advocate for services and programs benefiting communities and individuals that are primarily low- or moderate-income. The bank's VP and Home Loan Specialist serve on the Board of Directors.
- Gardner Visiting Nurses Association (GVNA): The GVNA is a non-profit organization that is dedicated to providing quality healthcare and social services in a fiscally responsible manner. A majority of GVNA's clients are low- and moderate-income individuals. The bank's Chairman and CEO serve on the Board of Directors.
- Worcester Business Development Corporation (WBDC): The WBDC was founded to create a comprehensive approach to the economic challenges that face the community. This organization is dedicated to the creation and promotion of employment opportunities, while assisting in the development and growth of the business industry. The bank's President is the Chairman of the Board.
- Community Healthlink: Community Healthlink is committed to promoting, restoring, and maintaining the physical health, mental health, and dignity of adults, children, and families in Central Massachusetts who are experiencing mental illness, addiction, or homelessness. This organization has been a valuable resource for thousands of individuals and families whose lives have been disrupted by addiction, homelessness, and other forms of trauma. The bank's Chairman and CEO serve on the Board of Directors, and is the Chairman of the Finance and Compliance Committees of this organization.
- Fitchburg ROCKS!: The Fitchburg Rocks! Campaign is a city-wide initiative to revitalize the Fitchburg region. Some of the major goals of the campaign are to retain and attract businesses to the area, transform the Main St. area, and revitalize many other parts of the City of Fitchburg. The many members of the bank's marketing department, including the Marketing Director and the Marketing Manager provided their technical expertise to this campaign.

### ***Financial Literacy and Educational Services***

- Economic Outlook Breakfast: Fidelity Bank (on an annual basis) sponsors the North Central Massachusetts Chamber event that features economic insights from experts in the field. This event also includes results from a research company on the economic climate of the region. The ultimate goal of this conference is to promote new businesses to locate in the region and help existing businesses grow.

- During the evaluation period, multiple bank employees conducted 10 first-time homebuyer seminars at local community development organizations including the Twin City CDC, Greater Gardner CDC and Eastside CDC.

#### ***Other Services***

The bank also provided the following services that have community development purposes.

- Fidelity Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.
- The bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.
- The bank also maintains a Community Room that is available for use to any non-profit organization free of charge.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified.

## APPENDIX A

### MINORITY APPLICATION FLOW (Division of Banks)

The bank's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from different minority groups within the bank's assessment area was reflective of area demographics.

The bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2013		2013 Aggregate Data	Bank 2014	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.2	0.2	0	0.0
Asian	11	2.4	4.7	7	1.8
Black/ African American	5	1.1	2.1	9	2.3
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	0.7	1.0	1	0.3
<b>Total Minority</b>	<b>20</b>	<b>4.3</b>	<b>8.1</b>	<b>17</b>	<b>4.4</b>
White	425	92.2	72.7	364	91.9
Race Not Available	16	3.5	19.2	15	3.8
<b>Total</b>	<b>461</b>	<b>100.0</b>	<b>100.0</b>	<b>396</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	20	4.3	3.4	13	3.3
Not Hispanic or Latino	419	90.9	76.6	365	92.2
Joint (Hisp/Lat /Not Hisp/Lat)	6	1.3	0.9	6	1.5
Ethnicity Not Available	16	3.5	19.1	12	3.0
<b>Total</b>	<b>461</b>	<b>100.0</b>	<b>100.0</b>	<b>396</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013.</i>					

According to the 2010 U.S. Census data, the assessment area had a population of 558,500 individuals, of which 23.0 percent are minorities. The assessment area's minority and ethnic population consists of 0.2 percent American Indian, 4.4 percent Asian/Pacific Islander, 4.9 percent Black, 11.3 percent Hispanic, and 2.2 percent other.

In 2013, the bank received 461 HMDA reportable loan applications within its assessment area. Of these applications, 4.3 percent were received from racial minority applicants. The bank's

application flow was below the aggregate's performance of 8.1 percent of applications received from minorities. In 2013, the bank received 4.3 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from minority applicants was above the aggregate's performance of 3.4 percent of applications received from the Hispanic or Latino ethnic group.

In 2014, the bank's level of applications from minorities by race mirrored the 2013 level, but the percentage of applications to Hispanic or Latino applicants decreased slightly to 3.3 percent.

Overall, the bank's minority application flow, when compared to the aggregate data and assessment area demographics, is adequate.

## APPENDIX B

### GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.



**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.